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REPORT

CD NO.

STAT

COUNTRY USSR
 SUBJECT Economic - Credit, trade
 HOW PUBLISHED Monthly periodical
 WHERE PUBLISHED Moscow
 DATE PUBLISHED Jul 1953
 LANGUAGE Russian

DATE OF INFORMATION 1953

DATE DIST. 4 NOV 1953

NO. OF PAGES 5

SUPPLEMENT TO REPORT NO.

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SOURCE Finansy i Kredit SSSR, No 7, 1953GOSBANK CREDIT AND THE DEVELOPMENT OF COMMODITY TURNOVER

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Under the 1951 - 1955 Five-Year Plan a great increase in production, including consumers' goods, is expected, raising the retail commodity turnover by about 70 percent.

In the work of the trade organizations, however, as was indicated at the 19th Party Congress, there are still large deficiencies in the distribution of goods by kray, oblast, and republic. All this leads to the accumulation within the trade organizations of surplus supplies of goods for which there is no popular demand; cash funds are not deposited in the Gosbank; and the repayment of credit is delayed.

A disproportionate distribution of goods among local trade stores is very frequent, and the supply and shipment of goods are often delayed and uneven. The remaining supplies of goods are inadequately analyzed and their redistribution among the separate trade organizations is poorly executed. Often, goods for which there is a popular demand are not available in trade enterprises even while they are in stock at the bases. Many trade organizations do not observe the required minimum goods assortment. Among the leftover goods of many trade organizations there are still many commodities delivered in 1946 - 1947. Thus, at the base of the Main Administration of Department Stores in Leningrad there are 652,000 rubles' worth of such goods. In addition, since 1951 there has been an accumulation at this base of one million rubles' worth of buttons and 2.1 million rubles' worth of fabric footwear.

The deficiencies shown lead to disruptions in the fulfillment of commodity turnover plans and delays in payments to the Gosbank and to suppliers.

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Many years' experience in the concentration of wholesale trade in consumers' goods within the industrial ministries has shown that industry which is not allied with trade organizations cannot fully analyze popular demand. The industrial ministries acted chiefly in their own interests without regard for the needs and desires of the population; this resulted in many deficiencies.

To further the development of trade, the government decided to improve wholesale and retail trade and to concentrate the wholesale trade in food and manufactured products within the framework of the Ministry of Internal and Foreign Trade. For this purpose, the above ministry will have transferred to it from the Ministry of Light and Food Industry and from the Ministry of the Chemical Industry wholesale sales organizations of the food, meat, fish, light, and chemical industries, including shipping bases, the retail trade network, and other sales and trade enterprises and organizations.

The concentration in the Ministry of Internal and Foreign Trade of the wholesale trade in food and manufactured products will assure the timely delivery of goods in a quantity and assortment corresponding to popular demand, and will speed up the movement of goods. The latter will also be facilitated by the expansion of transport operations for shipment directly to trade organizations from enterprises. It will also close the trade network to goods which are not in popular demand, and will heighten the responsibility of industrial enterprises for the strictest observance of agreements and advance orders of trade organizations for consumers' goods. Together with this, settlements between supplier and buyer will be speeded up, and settlements through the Accounts Clearing Bureau handled at the location of the payer will be promoted, thereby improving the credit servicing of trade.

The transfer of wholesale trade from industry to the Ministry of Internal and Foreign Trade will permit, with the active use of Gosbank credit, the creation at wholesale bases of reserves of goods necessary for uninterrupted supply of all kinds of goods to the retail trade network, as well as the improvement of the whole system of wholesale trade in consumers' goods within the country.

The government has charged the Ministry of Internal and Foreign Trade with planning the wholesale marketing of the output of the light and food industries, and with issuing orders for the shipment of goods, as well as with drafting requests and plans for the transport of these goods from the wholesale trade bases to the consignee.

The buyer's obligation to accept goods in agreement with issued orders led in many cases to a situation where a compulsory assortment of goods, for which there was no popular demand, penetrated the trade network, above-normal reserves were formed, and financial difficulties arose depriving the trade organizations of the possibility of using Gosbank credit for the financing of goods needed by the population.

In connection with the reorganization of wholesale trade, greater importance should be given in settling accounts with industry through the Gosbank to the role of such control levers as the acceptance of only those payment documents which are based on a verification of the conformity of goods to the concluded agreements and to samples and standards.

At present, the acceptance of payment documents, as one of the most important forms of control by the ruble, is not utilized fully as a measure of influencing suppliers who violate the agreement terms.

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The terms of payment and the repayment of credits should be based on the state commodity turnover plan. The existing disproportions in the inflow of goods and the accumulation of temporary and seasonal stocks result in a number of cases in a situation where the amount of payments on Gosbank loans required from trade organizations exceeds the sale of goods.

Theoretically, deviations in the inflow and the sale of goods could be taken into account by the Gosbank at the time of financing, if the system of establishing planned periods of turnover were distinguished by fluidity, which in fact it is not.

The absence of flexibility in the establishment of planned periods of commodity turnover made ineffective the financing by differentiated periods. As is known, the practice of financing for differentiated periods of turnover has already been abolished.

Some consider that the transition to the financing of trade organizations without fixed obligations would weaken the control exercised by the Gosbank over the turnover of goods. Such a conception would be correct if, in financing, one proceeded from the principle that the more supplies a trade organization receives, the more it should pay the Gosbank on the loans received for their financing. However, under the present disproportionate supply of goods and the forming of seasonal and other reserve stocks, the establishment of payments on fixed obligations issued for the financed goods can unavoidably lead to unfounded financial difficulties in the trade organizations in some cases, and, in others, to unjustified privileges.

The establishment of a system of loan payments, proceeding from the commodity turnover plan, would make possible an uninterrupted trade, which is an important condition for the fulfillment of the Gosbank cash plan and the satisfaction of workers' needs.

The abolition of credit extension to trade organizations according to periods of turnover does not mean the abolition of norm setting of commodity stocks by days in terms of commodity turnover. On the contrary, it is necessary to preserve the norm setting of commodity stocks for specified periods of turnover. Norm dimensions should approach the actual goods turnover, which depends on changes in popular demand, the specialization of the trade network, and the expansion of the assortment of goods.

Some, favoring the preservation of fixed obligations, consider it worthwhile to regulate the settlements with the Gosbank as formerly, twice a month. It seems, however, that settlements with trade organizations, under conditions of control over fulfillment of the commodity turnover plan, can be reviewed once a month, proceeding from the established commodity turnover plan for the month based on the credited price of goods, the volume of which would determine the size of loan payments. The security of the assets included in the turnover should be verified against the balances of the trade organizations, according to which the profitability of these organizations must be established and the extended credits secured with material assets.

The suspension of credit to trade organizations when, because of temporary financial difficulties, they incur an overdue balance on loans issued earlier, regardless of the reasons for these difficulties, leads to a situation where both well and poorly operating organizations are deprived of the opportunity of financing through the Gosbank industrial goods needed for the fulfillment of the commodity turnover plan.

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In accordance with the established practice concerning the incurring by trade organizations of overdue indebtedness on loans, the Gosbank stops completely any further extension of credit for the financing of goods, despite the fact that, in conformity with the national economic supply plan, the flow of goods from industry to the trade organizations does not stop.

Such an automatic suspension of credit for the financing of goods actually received by the trade organizations and put on sale by them creates financial difficulties for the suppliers, since the receipts coming to the Gosbank from the sale of the unfinanced goods are used in the first place to cover overdue loans. This credit sanction with respect to the debtor in many instances does not serve any purpose for the further reason that, after the payment of the overdue indebtedness to the Gosbank from the sales receipts of the unfinanced goods, the Gosbank extends credit for the amount of the supplier's accumulated payments which have accrued in connection with the application of sanctions.

The further elevation of Soviet trade onto a new and higher plane requires a change in the system of financing commodity turnover.

Many years of experience in the financing of commodity turnover lead to the conclusion that, in the interests of the further strengthening of currency circulation, it is necessary to depart from the financing of trade organizations for periods of commodity turnover, while preserving the principles of credit repayment terms.

At the same time, it is necessary to preserve the special loan accounts of trade organizations, through which unlimited credits should be extended to finance all incoming goods destined for current sale and also for the formation of seasonal and temporary commodity reserves.

The repayment of extended credit by depositing receipts into the special loan account should be performed in conformity with the actual sale of goods, but not in lesser amounts than those realized from the established plan of commodity turnover. In this way the fulfillment of the commodity turnover plan would be placed under direct control by the ruble through the Gosbank.

The financing of above-norm commodity reserves formed in connection with the nonfulfillment of the commodity turnover plan should be eliminated.

Experience shows that many Gosbank establishments permit indiscriminate use of credit sanctions and do not make sufficient use of warning measures, as, for example, the obligations of trade organizations to the Gosbank to eliminate the indicated deficiencies.

Thus, a large number of credit sanctions are employed by the Arkhangelsk, Krasnodar, Kursk, Kuybyshev, Stalingrad, Saratov, Tul'sk, Kiev, and other Gosbank offices, especially when the trade organizations fail to forward their balances within the established time periods, neglecting to heed the warning notices. Verification shows that in a number of cases the delay in forwarding balances to the Gosbank is for valid reasons and does not lead to non-secured indebtedness. Therefore, the application of credit sanctions to such organizations serves no purpose.

Gosbank credits for the equipping of trade organizations, the expansion of the trade network, the perfection of industrial processes, the equipping of tearooms, dining rooms, cafes, lunch counters, bakeries, and fruit and vegetable combines, the acquisition and installation of equipment, etc., are utilized insufficiently by trade organizations. In the meantime, at small cost it is possible to increase and improve the output of goods considerably, improve the quality of consumer service and obtain above-plan profits with

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which it would be possible to assure the repayment of credit within a year. Many Gosbank establishments do not show the necessary initiative in popularizing this type of credit.

Gosbank credits in terms up to one year for purposes of small-scale mechanization or improvement of production techniques, extended by the Minister of Finance USSR upon petition of the ministries, in connection with the broader rights extended to the ministers of the USSR, should also receive a wider application in trade.

A large role should be played by Gosbank credit extended to organizations of consumers' cooperatives for the mobilization of the resources of agricultural production. Considerable opportunities for the purchase of agricultural products, among them bread, from kolkhoz farmers and peasants at state procurement prices should, with the participation of short-term credits of the Gosbank, be used to the maximum for the expansion of commodity turnover.

In the struggle for the further development of commodity turnover, the mobilization of internal resources, and the reduction of distribution costs, a regime of economy should play a large role. At present, in a series of trade organizations there are still considerable nonproductive expenditures. Especially great are the expenditures in the procurement, storage, and sale of agricultural products, as well as the distribution expenditures of the trade organizations. The system of trade, procurement, and merchandising organizations is excessively overexpanded. Trade and procurement organizations show little concern for the reduction of overhead expenditures and tolerate waste and losses.

Financial organs and the Gosbank are obligated to strengthen their control over the financial activity of economic organizations. They must increase their role in the control by the ruble over the fulfillment by ministries, main administrations, trusts, enterprises, construction projects, and other economic organizations of their tasks in the reduction of costs, distribution expenditures, and accumulation, and must improve credit servicing and accounting in the national trade and economy.

The Gosbank establishments are linked in the line of credit and accounting with all trade and procurement organizations. They are obligated to secure efficient control over distribution costs and the elimination of existing above-plan losses in trade, procurement, and storage of goods, and to counteract the improper use of organizational and borrowed funds, and the diversion of funds into debit indebtedness.

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